

Message Text

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PAGE 01 BUENOS 00575 231919Z

63

ACTION ARA-20

INFO OCT-01 AF-10 ISO-00 NEA-11 CIAE-00 DODE-00 PM-07 H-03

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 5075

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAG: ENRG, AR, LI

SUBJECT: ARGENTINA SEEKS AGREEMENT WITH LIBYA TO ENSURE CRUDE
OIL SUPPLIES

1. DURING A PRESS CONFERENCE LAST WEEK, UNDER SECRETARY FOR INTERNATIONAL ECONOMIC AFFAIRS TETTAMANTI ANNOUNCED THAT A MISSION LED BY MINISTER OF SOCIAL WELFARE LOPEZ REGA WILL DEPART FOR LIBYA ON JAN 24 TO DISCUSS SUBJECTS RELATED TO THE PETROLEUM SECTOR. ACCORDING TO PRESS ACCOUNTS, TETTAMANTI ALSO SAID THAT IT WAS NOT UNLIKELY THAT THE MISSION WOULD CONSIDER AN ASSOCIATION BETWEEN YPF (ARGENTINE STATE OIL CORPORATION) AND LIBYA FOR THE DEVELOPMENT OF LIBYAN OIL RESOURCES.

2. THE UPCOMING MEETINGS WILL BE THE THIRD (SO FAR AS IS PUBLICLY KNOWN) IN A SERIES OF MEETINGS THAT HAVE TAKEN PLACE DURING THE LAST FOUR MONTHS IN LIBYA BETWEEN GOA AND GOL OFFICIALS. THE GOA HAS OFFERED NO DETAILS ABOUT THE RESULTS OF THE PREVIOUS DISCUSSIONS AND OFFICIAL ANNOUNCEMENTS ABOUT THE IMPENDING MISSION HAVE BEEN VERY GENERAL.

3. HOWEVER, IT IS UNDERSTOOD THAT THE GOA IS ADVOCATING A
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PAGE 02 BUENOS 00575 231919Z

TWO-STEP AGREEMENT BY WHICH, IN THE FIRST INSTANCE, LIBYA

WOULD MEET THE SHORTFALL BETWEEN ARGENTINE CRUDE OIL PRODUCTION AND CONSUMPTION (ESTIMATED TO BE 20 MILLION BARRELS IN 1974) IN EXCHANGE FOR ARGENTINE MANUFACTURED AND AGRICULTURAL GOODS. THE BARTER ARRANGEMENT WOULD, THE GOA HOPES, BE FOLLOWED BY THE FORMATION OF A JOINT VENTURE BETWEEN THE STATE OIL COMPANIES OF BOTH COUNTRIES. YPF WOULD PROVIDE EQUIPMENT, TECHNICAL PERSONNEL, TRAINING, ETC AND LIBYA WOULD PERMIT EXPLORATION AND DEVELOPMENT BY THE MIXED COMPANY.

4. THE GOA IS UNDER CONSIDERABLE PRESSURE TO OBTAIN ASSURANCES OF CRUDE SUPPLIES FOR 1974 - AND BEYOND. IN SEP 1973, YPF CALLED FOR BIDS FOR APPROXIMATELY 19 MILLION BARRELS FOR 1974 DELIVERY, BUT ALL OFFERS WERE REJECTED (PRESUMABLY BECAUSE OF PRICES) AND THE CALL FOR BIDS CANCELLED.

5. A SECOND PURPOSE OF LOPEZ REGA'S MISSION WILL BE TO ENCOURAGE ARAB STATES AND ENTITIES TO INVEST IN ARGENTINA, ESPECIALLY THROUGH EXTENSION OF CREDITS TO GOA DESTINED TO SUPPORT THE LATTER'S NEW THREE YEAR DEVELOPMENT PROGRAM. IN ADDITION, RECENTLY PRESIDENT PERON OFFERED TO USE ARGENTINE INFLUENCE AMONG ARAB STATES AND ENCOURAGE ARAB PARTICIPATION AND FINANCING FOR THE INTERAMERICAN DEVELOPMENT BANK.

6. THIS EMBASSY WILL APPRECIATE RECEIVING ANY INFORMATION WHICH BECOMES AVAILABLE TO ADDRESSEES ON SUCCESS OF LOPEZ REGA'S TRIP AND ARAB REACTION TO HIS EFFORTS.
KREBS

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